Long Beach Business Journal

February 4–17, 2020 | Long Beach Area's Newsmagazine | lbbusinessjournal.com

Real Estate Is Riding The Crest Of A Wave In 2020

All that remains of the historic Acres of Books building is the facade fronting Long Beach Blvd. Site preparations are well underway for the bookstore's replacement, Broadway Block, a mixed-use development set to bring 400 residential units to the downtown area in two buildings. (Photograph by Brandon Richardson)

■ By **MICHAEL GOUGIS**
Contributing Writer

Real estate in Long Beach and the surrounding areas is riding the crest of a wave, propelled by strong momentum in the residential real estate sector at the end of last year and supported by solid underlying fundamentals in all other areas, experts told the Long Beach Business Journal.

The more long-term concerns – lack of a labor force, housing affordability and the ever-present worries about the future of the on-ground retail sector – aren't enough to prevent economists from predicting a solid 2020 with moderate growth in most sectors.

"There's an awful lot going for the city of Long Beach looking at the real estate side going into 2020. The city should be cautiously optimistic," said Robert Kleinhenz, former chief economist for the Los Angeles County Economic Development Corporation, Executive Director of Research for Beacon Economics and founder of Kleinhenz Economics.

"I'm not trying to be overly optimistic. We're going to have a modest year, with modest growth. Modest growth is probably in the cards for 2020. It is difficult to imagine a recession happening anytime soon."

Residential sales took a beating in the early part of 2019 due to increased interest rates, but rebounded strongly in the latter part of the year. Demand continues to outstrip supply, yet at least so far, that has not resulted in the upward spiraling of home prices that have occurred in the past.

"The residential sector is pretty strong. The demand for California real estate is always strong. We've seen some flattening of price trajectory. Prices aren't going down, but they are not going up as rapidly," said Edward Coulson, director of research at UC Irvine's Center for Real Estate. "Homes are taking longer to sell. They're staying on the market longer."

Upward pressure comes from historically low inventories, well below long-term averages, and millennials forming households and moving into the market for new homes. Moderating that upward pressure are high prices and the difficulty of qualifying for new home loans.

"If you take a look at the average FICO score for people who qualified for a loan, it's someone who has a very good score – 750 or more. I think that's been a limiting factor," Kleinhenz said.

Rents are anticipated to stay

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Long Beach Business Journal Sells To Pacific Community Media

■ By **GEORGE ECONOMIDES**
Founder

Dear Readers: A year ago January, I determined that, at age 71, I had at least a few productive years left in me, so I decided to continue leasing the office space in which the Long Beach Business Journal has been located since 1991. The business was in good shape, with an excellent staff and a strong group of advertisers, and it was operating in a healthy local economy.

However, a few months later, on March 30, I suffered a stroke. While I survived – due to the quick action of my daughter, April Economides, and the wonderful doctors and staff at Long Beach Memorial Medical Center – I was unable to run the business. My daughter, a single parent with her own consultancy, unselfishly put her life on hold and jumped in to run the Business Journal and ensure it would continue publishing. If she hadn't, I would have been forced to shut down.

After all these years, I have finally decided to officially retire and sell the business. Effective February 4, 2020, John Molina and his Pacific Community Media (PCM) company will assume ownership and management. PCM owns the Long Beach Post and its publisher, David Sommers, will assume the role of Business Journal publisher. I'm happy to sell to someone local and that the PCM team knows and loves Long Beach.

"Retire" is probably not a word those of you who know me thought you'd ever hear me utter. The LBBJ

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Realty Views

Multi-family Housing Appears on Upswing

■ Perspective by **TERRY ROSS**

Despite the headwinds that have confronted the multi-family apartment market over the past few years with issues such as rent control, increased regulation, the shortage of labor and materials for new building, the multi-family sector is promising to continue to outperform analysts' predictions in 2020.

As recently as a few years ago, 2019-2020 was expected to bring the next dip in the housing cycle, but there was plenty of optimism at the recent National Association of Home Builders (NAHB) International Builders Show in Las Vegas.

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Long Beach Business Journal

Vol. XXXIX No. 02 • February 4–17, 2020

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SUBSCRIPTIONS:
1 year: 25 issues
Standard Bulk: $30

The Long Beach Business Journal is a publication of South Coast Publishing, Inc., incorporated by the State of California in July 1985. It premiered March 1987 as the Long Beach Airport Business Journal. The Business Journal is published every other Tuesday, except between December 25 and mid-January. Distribution is approximately 22,000. Reproduction in whole or in part without written permission is strictly prohibited unless otherwise stated. Opinions expressed by perspective writers and guest columnists are not necessarily the views of the Long Beach Business Journal.

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Portside: Keeping Up With The Port Of Long Beach

■ By **BRANDON RICHARDSON**
Senior Writer

Monitoring the Port of Long Beach's 3,520 acres of land and 4,600 acres of water is no easy task, but Giovanni Sergi has spent years bringing port security into the 21st century. "When I came in 12 years ago, we had 50 cameras. Twenty-five didn't work," he said. "We're up to 700 cameras today and our uptime for those cameras is 98% at any given week." Sergi is the homeland security stakeholder coordinator in the port's security division and manages a wide array of security-related projects, from multi-million dollar camera installations throughout the port complex to integrating security systems into new projects. He explained that open ports such as Long Beach – meaning much of its road and waterways are accessible to the general public – make a "boots on the ground" approach to security difficult, which is why the port challenges the security division to keep up with the latest technologies. Sergi also works with outside agencies such as U.S. Customs and Border Protection and the FBI to coordinate security efforts with Long Beach Harbor Patrol and the Long Beach Police Department. Prior to his work with the port, Sergi worked in the security business for more than 18 years in the public sector, including managing security projects for NATO and the Italian Ministry of Defense. However, he said he has more job satisfaction at the port. "I love my job," he said. "People keep asking me when I'm going to retire. I don't know if I'm going to retire because I truly enjoy my job." (Photograph by Brandon Richardson) ■

AN INTIMATE EVENING OF SONGS AND STORYTELLING

Sarah McLachlan

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LBBJ Sells

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has been my "baby," and for more than three decades I worked practically every day to ensure we produced a quality publication. I have loved running the business and interacting daily with the community. But it is time to move on.

Becoming a publisher wasn't my first stint in journalism. I began my career at age 12, as a newspaper delivery boy in Long Beach, and, while stationed at a pilot training base in the U.S. Air Force's public information office, I was the editor of the base newspaper after attending the military's journalism school.

The roots of the Business Journal started 34 years ago. After my decade-long tenure at the Long Beach Area Chamber of Commerce, from 1974–1984, I decided the city was ready for a business publication.

In July 1985, I launched South Coast Publishing, Inc. The first publication (October 1985) was the monthly South Coast Business magazine, covering a market along the 405 Freeway from LAX to John Wayne Airport. Competition for advertisers was fierce, with strong daily newspapers and other more established magazines. Despite cash flow issues and other challenges, I decided to double down.

My first idea was to create special inserts promoting nearby cities, such as Carson and San Pedro, and these proved a big hit. From that success evolved another idea: launching a publication focusing on the Long Beach Airport, which was experiencing healthy general and corporate aviation activity and strong growth in its commercial flight sector, with eight different airlines providing service to destinations around the country. Douglas Aircraft Company, with 25,000 employees, was churning out commercial aircraft like the DC-10 and MD 80; and the U.S. Air force awarded it a contract to work on the C-17 Globemaster transport aircraft. Real estate development on airport property was accelerating, with the Long Beach Airport Business Park nearing completion and the Kilroy Airport Center underway.

On March 15, 1987, the monthly Long Beach Airport Business Journal newspaper premiered. South Coast Business Magazine continued into late 1988.

In September 1987, with a growing Port of Long Beach, a recently expanded convention center, and new hotels and office buildings nearing completion, I decided to drop 'Airport' from the Business Journal's name and go citywide as a business newspaper, doubling the circulation and frequency.

In 1995, Douglas Aircraft Company officials approached me about taking over their in-house publication, and so we added The Employee Times magazine to our roster and produced it until C-17 production ceased.

Then in October 2004, we launched Destinations magazine, a monthly publication for tourists and conventioneers that published for 10 years.

Along the way, in an effort attract more advertising and expand our reach, we created numerous special publications. Many of them were about the expansion or anniversaries of key institutions, others were tribute publications honoring former mayors, and our final special publication was The New Long Beach Civic Center, a soft cover book written and produced by my daughter, April, in July 2019.

While there have been many highlights over the years, the one of which I am proudest is our two-year involvement in having the city's utility users tax cut in half, collectively saving every resident and business tens of millions of dollars over the past 19 years, and forcing city officials to re-visit their spending priorities.

Despite my long history with journalism, my stroke left me in no shape to run a demanding business. After a satisfying career, I am ready to hand over the reins. It has been a fun ride!

I'm grateful that John and his team have the resources to help take the LBBJ to the next level. We've come a long way for a self-funded independent publication, but there are even better things to come. It's time the publication starts digital advertising and other contemporary offerings for our advertisers and readers. I know the PCM team is excited about their new role, and I'll let them tell you their story directly in the next edition of the LBBJ, which they're publishing.

I thank every employee and freelancer who has contributed to the LBBJ story – from those who helped start the company to those who stayed on during this transition – as well as everyone else who has helped over the years.

I am grateful to April, who jumped in to save the business and keep it running, while also taking care of me, her consultancy and her daughter. She assumed the role as publisher, ran all business matters, facilitated the sale, and not only kept the ship afloat but also improved it in several ways. If it weren't for her, I would have been writing this farewell 10 months ago.

A big thank you to our loyal advertisers and readers and to the hundreds of public and private sector officials with whom I have interviewed and interacted over the past three-plus decades. I've been fortunate to have a front row seat to a wonderful, evolving city and business community, while concurrently be willing to challenge local government on a variety of issues, especially its use of taxpayer dollars.

As we pass the baton to John and his staff, I hope you will show them the same support you have given me and my team over the years.

We have always aimed to tell it like it is. To be informative, factual, and always fair. To challenge readers to get involved and speak out on issues impacting them and their city. If we've been successful in doing that during our 30-plus years, then we've done our job.

Thanks for everything. Here's lookin' at you, Long Beach! ■

What's Next For The Long Beach Business Journal

■ By **DAVID SOMMERS**
Incoming Publisher

When I arrived in Long Beach 15 years ago, my boss at the time, Los Angeles County Supervisor Don Knabe, and my best friend, Shaun Lumachi, suggested I get to know the leaders and institutions that make this city special. At the top of the list from both: George Economides.

'Did you check with George?' 'You should go see George.' 'Make sure you give George a heads-up.' In every conversation I had with anyone he was always just 'George.' No last name needed. Only George.

People made the trek to his office. You went to see George. Everyone did. Everyone still does.

The first time I walked into the Business Journal offices and into George's conference room, I was struck with the heft of the accolades lining the walls. Honors from every non-profit organization. Scrolls and certificates of appreciation from every local elected official and city. That's influence.

There's really no way to understate how meaningful it is that the Long Beach Business Journal is around, especially considering the challenges facing local journalism today.

Thousands of newsrooms have been shuttered across the country in the past decade. Tens of thousands of journalism jobs have been eliminated. Millions of Americans are living and working in communities that have become news deserts where robust, vital local journalism once thrived.

That the Long Beach Business Journal has continued to thrive for over three decades and continues to be essential to the health of our community, despite the challenges plaguing local journalism, is a testament to the tenacity of George, for sure, but also to every editor and reporter who has worked there. It's a testament to every photographer and production manager. It's a testament to April Economides as well, a leader and innovator in her own right, a champion of the causes that matter most these days, a daughter who stepped in when the need was greatest.

As a fellow local independent newsroom, we have a particular understanding and appreciation at the Long Beach Post for what George and his team have achieved. The Business Journal is not being gobbled up by some out-of-town hedge fund managers who have gutted so many other American newsrooms. The Business Journal will remain local. It will be in good hands and we will be mindful caretakers of the legacy and the work of this publication.

We challenge ourselves at the Post with a question and a call to action: 'What's Next?' There's a What's Next ahead for the Business Journal, too, and we're looking forward to being a part of that journey. ■

City Reveals New Plans For Belmont Pool, Leaving Critics Unconvinced

■ By **ALENA MASCHKE**
Senior Writer

Over two years after city staff presented members of the Long Beach City Council with initial plans to replace the demolished Belmont Plaza Olympic Pool, the battle for the beach continues. Supporters of the project see the new pool complex as an opportunity to bring the once-famous swim site back to its old glory. Opponents see it as a threat to the neighborhood's natural coastline and sandy beach.

Gordana Kajer, one of the project's most outspoken critics, grew up in Orange County and still has fond memories of weekend trips to the beach with her father, who was a body surfer. "We didn't go to the park, we didn't go camping, we didn't take family trips, but we did go to the beach every Sunday," Kajer recounts. "The beach was our playground." It's those memories, she noted, that make her so passionate about protecting the sand beaches of her chosen home, Long Beach.

The city council during its January 21 meeting voted unanimously to approve an environmental review addendum reflecting updated plans for the Belmont Pool Revitalization Project. But the updates, which aimed to address concerns regarding building height, project cost and adequate protection from sea level rise, among other issues, haven't done much to quiet a group of vocal opponents, including Kajer. "The second pool, the revised plan, is as problematic as the first," she said.

In their comments to city council, Kajer and others expressed a number of technical concerns with the updated plan. "The whole notion that a sand beach should be paved over for a recreational use, like a municipal pool, to me is something that deserves a second thought," she explained. Jeff Miller, another opponent of the planned pool, said he is worried that the structure would deteriorate the views enjoyed by local residents and restrict access to the city's natural beach. "I value access to the coast and I really feel strongly that that access should be protected," he noted.

Miller and fellow critics have sent appeals to the city council and the California Coastal Commission, opposing the project in its current form. The proposed project site falls under the shared jurisdiction of the city's Local Coastal Program and the coastal commission, which means that plans for the project require a stamp of approval from the commission to move forward. That stamp of approval, a coastal development permit, is still outstanding following several requests for additional information and revisions issued by the coastal commission.

One concern expressed by the coastal commission as well as local opponents of the project is the risk posed by rising sea levels. "The site they've chosen is dangerous because of the increasing rate of sea level rise and the concern of vulnerability to that," Miller pointed out.

In its most recent letter to city staff the coastal commission requested additional information on the city's plans for the potential removal of structures threatened by sea level rise and other adaptation measures. Those concerns, according to Miller and Kajer, have not been adequately addressed in the updated environmental impact report.

Meanwhile, 3rd District Councilmember Suzie Price argued that the planned structures forming the new aquatic center would be the most resilient in the area with respect to sea level rise.

"When we talk about sea level rise, we want to make sure, not that there's no buildings along the coast,

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The most recent plans for a new aquatic center at the site of the historic Belmont Plaza Olympic Pool have been approved by the Long Beach City Council, but some residents question whether Belmont Shore is the best location for the project. (Rendering courtesy of the City of Long Beach)

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but that those buildings are built in a way that they don't get flooded," Price explained. "If there's flooding in that area, it's not going to affect the pool because the pool is specifically designed [to be] consistent with Coastal Commission recommendations on elevation. It's the hundreds and thousands of homes around the pool that would be my biggest concern."

Price said she's confident that the residents of those homes, her constituents, are generally supportive of the plan. "I am mindful that there are some residents who will generally oppose every development opportunity that's presented to the district," she remarked. "And while their thoughts are noted, I don't believe that [they] represent the voice of the majority of residents."

Local resident Lucy Johnson, for one, is thrilled. Vice president of Long Beach-based nonprofit Aquatic Capital of America, she hopes that the new swimming facility may bring back some of the international recognition once enjoyed by the Belmont Plaza Olympic Pool. "The old facility was iconic, it was known around the world," she recounted. "It's been my passion from day one to see Long Beach have that again."

Once a competitive swimmer herself, Johnson said she's worried about statistics showing that many Long Beach residents can't swim. "We're surrounded by water here, we have water all through the city. People have to know how to swim.," she pointed out. "This is where the pools can be a great benefit."

Miller and Kajer said they don't oppose the construction of a new pool in general. Instead, they'd like to see an aquatic center built in a different location and they have just the place in mind: the Elephant Lot. The paved 13-acre lot near the Long Beach Convention Center is located across the street from the beach and was floated as a potential site for a Major League Baseball stadium, to house the Los Angeles Angels of Anaheim, just last year. "If it's good enough for the Angels, it should be good enough for a municipal pool," Kajer remarked.

In its December 6, 2019, letter, Coastal Program Analyst Dani Ziff requested a more in-depth analysis of several alternative sites, to include the massive Downtown parking lot as well as a site outside of the coastal zone and closer to underserved communities.

The updated report reflected a 2017 analysis of the Elephant Lot's feasibility as an alternative site, word-by-word. In the report, city staff cited concerns over existing lease agreements with the Jehova's Witnesses and the Grand Prix of Long Beach, and the need for additional parking, as grounds to remove the site from consideration. "This alternative site would not represent the highest and best land use for the area adjacent to the convention center, which should be reserved for convention or hotel uses," the report noted.

But Kajer and Miller are not ready to let go of the idea just yet. "I think the best use of that site would be a permanent pool. It's the ideal location," Miller stated. "I can't understand why the city will not consider it." ■

Real Estate 2020

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solid, as Long Beach increasingly becomes known as what Coulson calls a "high-amenity" area – and the beach and shoreline are the ultimate amenities for many renters.

"For high-amenity areas, rents are quite stubborn in the downward direction. There's always a lot of people who want to live there," he says. "If you have a choice, that's where you're going to go – to somewhere you like."

On the commercial side, the industrial sector is expected to remain strong, with vacancies tight in the entire Long Beach region, and the forecast is for even more competition for the available space in 2020.

"It's in very short supply, and that's been the case for quite some time," Kleinhenz said.

"Industrial is still the hot sector. I said last year that I thought there might be a threat of over construction, but there still seems to be demand," Coulson concurred.

Pressures driving the demand for industrial space include Amazon, the 800-pound gorilla of retail, which is complementing its massive outlying logistics centers with smaller industrial operations deep into more urbanized areas. The transportation sector, manufacturing, even cannabis cultivation operations are looking for space in the Los Angeles basin, keeping industrial vacancy rates low.

Office space in the Long Beach area, an always volatile sector, looks promising, based on the employment outlook in the areas that will need office space, Kleinhenz said.

"Which industries are growing? When we look at Los Angeles County, the industry strengths over the past year have been health care, leisure and hospitality," Kleinhenz said. "General office space for the health care sector is likely to be in demand. And vacancy rates are likely to edge down in office space because of that."

Retail remains somewhat unpredictable, in general and in Long Beach, as online shopping expands, although there are still some barriers to moving the shopping experience entirely online. As Coulson said, "I don't want Amazon picking my tomatoes."

"Retail employment is suffering" in Los Angeles County, Kleinhenz said. "And there is a lot of retail space in the City of Long Beach relative to the level of retail that it can support."

But, to appropriate a well-worn cliché, reports of the death of on-ground retailing have been greatly exaggerated.

"We just don't see the vacancy rates that the doomsayers predicted. And we're not building space at the rate we might have, but the demand is still strong," Coulson said. "You have capacity. You can never underestimate the ability of entrepreneurs to take advantage of cheap excess capacity. Who would have ever thought that you could go to a mall to paint and sip wine?" ■

Moderate Growth, Tight Inventories In 2020 For Residential Market

Robert Stepp, president of Long Beach-based real estate firm Stepp Commercial, recently listed this 22-unit apartment complex at 5401 E. Anaheim Rd. for $10.15 million. (Photograph by Brandon Richardson)

■ By **MICHAEL GOUGIS**
Contributing Writer

In both the single-family and multi-family sectors, 2020 is expected to see strong demand, tight inventories and stable, if not skyrocketing prices, real estate experts told the Business Journal.

Uncertainty revolves around the state's new rent control law, and Long Beach will find out how well the market will absorb the new multi-family units becoming available in the immediate future.

"It's an unusual market, to say the least," said Phil Jones, managing partner, Coldwell Banker Coastal Alliance.

"With housing supply dropping to the lowest level in nearly seven years, California experienced an unusual jump in its median price at the end of the year when the market is supposed to cool down," said California Association of Realtors Senior Vice President and Chief Economist Leslie Appleton-Young. "While low rates have been fueling demand in the second half of 2019, supply constraints continued to put a drag on the market and undercut the positive effect of low rates."

The market is facing upward and downward pressures, leading to some level of hesitancy among buyers. According to a news release by the association after a poll in December, "Many buyers, however, remain uncertain about the current housing market conditions, as only one-quarter of respondents (25%) believe that it is a good time to buy now."

Locally, in the single-family sector, activity has already started increasing in 2020, with the levels of interest in real estate at the beginning of the year reminiscent of the activity that typically takes place in the spring, Jones said.

"January is the new April, the early demand. This year, it's even stronger. And we expect the demand to continue to grow as the year progresses," Jones said.

But what marks the current market as different is that the increasing demand has not driven prices into an upward spike in the Long Beach area, Jones said.

"In Long Beach, the pricing appreciation has been moderate for the past year, which is striking because demand is so strong and supply is so tight. I think buyers are not as aggressive as they used to be," Jones said.

"Still, there's so much competition. We are seeing overwhelming demand, and we have a smaller inventory than we did last year at this time," Jones said. "We're seeing the inventory continue to shrink, and the demand continue to rise. There's a sense of urgency among buyers, but it's not driving up prices."

The demand is strongest for homes in the $500,000 to $800,000 range, Jones said. And millennials will begin to join the market for single-family home ownership in greater numbers, placing additional pressure on homes in that segment, said Robert Kleinhenz, economist and founder of Kleinhenz Economics.

"In 2020, more and more millennial households will form and they will want to become homeowners," Kleinhenz said. "But those demographics do bump into these constraints."

Constraints on the upward rise of home prices come from a variety of factors, leaving Jones anticipating only moderate appreciation of between 3-5% percent for home prices in the $500,000 to $800,000 range.

In response to lending practices in the past, the qualifications for obtaining a home mortgage loan remain high, and that limits the amount that potential home purchasers can spend on a house. In addition, the housing market has become more rationalized in recent years, with buyers having a much clearer picture of availability while shopping, meaning they are less likely to make purchases that are out of line with the market.

And housing prices, particularly for single-family housing, are always reflective of the ability of the local economy to provide employment that allows people to purchase those homes, something that Kleinhenz said is a potential concern for Long Beach.

"There's going to be a premium because it is a coastal community. It's very likely that home price increases over time are pricing out households with kids," he said. "I think if the city wants to have a

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young, vibrant workforce, it needs to take up this issue. We need to make sure that housing is available for all types of households."

In the multi-family sector, Long Beach is expected to see the arrival of hundreds of new units, predominantly in the premium market space. With tight inventories and increasing pressure for affordable and workforce units, expectations for investors are moderate.

"We're seeing the re-engagement of investors with moderated expectations," said Damon Wyler, Marcus & Millichap vice-president/regional manager for Long Beach. "Prices remain at all-time highs, in terms of price per unit and for investors, but volume in 2019 represented a bit of a pullback from a record in 2018."

For rental units, California has adopted a statewide rent control law that went into effect January 1, limiting annual rent increases to 5% plus the local cost of living increase. Buildings less than 15 years old are exempted, and the time limit rolls with the calendar, meaning that a building constructed in 2020 would be exempt from the rent control limitations for 15 more years.

From an availability point of view, multi-family unit inventories remain low, especially in the segment for workforce housing, Wyler said.

"Workforce housing remains extremely restrained," he said. "Overall, the market is in dire need of additional units."

Robert Stepp, president of Stepp Commercial, which specializes exclusively in multi-family investment properties in the Long Beach area, also says that he is seeing low inventories, but he anticipates that political changes on the near horizon may spur changes even sooner.

"So far this year, we're seeing low inventory in the market, which will most likely pick up as owners look to make a move before this year's election and potentially more restrictive rent control policies," Stepp said. "Prices are certainly softening and cap rates are rising."

There is one more wild card on the horizon for the residential housing market.

The California Association of Realtors is gathering signatures to place another initiative on the ballot to modify the Prop. 13 tax rate portability laws. The last attempt failed at the ballot box, but the association has altered the proposal to address some of the concerns that were raised about the initiative.

Current law allows people 55 and older to move once and hang on to their Prop. 13 tax rates, but they must move into a home that is of equal or lesser value and can only do so once. Representatives from the California Association of Realtors have said that because of this element of the Prop. 13 regulations, seniors have been holding on to their homes even when they have outgrown them and would like to downsize.

The new initiative would expand the portability of the Prop. 13 tax rate and close a loophole that allows children who inherit homes to also inherit the lower tax rate and use the properties as second homes or rentals.

Jones said that if the measure passes, California could see an additional 60,000 or more homes on the market annually, a significant amount compared to the nearly 400,000 detached, single-family home sales per year. ■

Commercial Real Estate Markets Remain Unchanged In 2020

A Signal Hill Petroleum spokesperson said the company is weeks away from an update on the proposed development on a property previously occupied by Majestic Golf Land. Initial discussions about potential development on the site included the construction of between 115,000 and 140,000 square feet of industrial space. (Photograph by Brandon Richardson)

■ By **BRANDON RICHARDSON**
Senior Writer

All commercial real estate markets are expected to continue experiencing similar trends to 2019, according to local experts. Office tenants are seeking more amenities and less space per employee, brick-and-mortar retail continues to adjust spatial needs as it evolves in the age of e-commerce and industrial users are just trying to find space in general.

Industrial

"The industrial market in the South Bay is really characterized by the same thing we've seen over the past handful of years, which is very low vacancy. There's very little new product, so that's not budging much," said Lance Ryan, executive vice president and COO of Watson Land Company. "There's infill development that's occurring and there are some pockets of . . . master plan concepts in areas of Long Beach, but outside of that, new South Bay product is extremely limited and there's a lot of pressure on rents as a result."

Much of the new industrial development in the South Bay – including Pacific Edge at 2400 Redondo Ave. and Pacific Pointe Northwest at Douglas Park, which both came online late last year – is being preleased, Ryan explained, which means it is not having much of an impact in terms of vacancy and quelling demand.

In the fourth quarter of 2019, the industrial real estate vacancy was 1.5%, a 0.1% increase over the previous quarter, according to a report by Lee & Associates. After reaching a historic high of $1.09 per square foot in the third quarter, average asking rents decreased two cents to $1.07. Sales transactions in the fourth quarter increased to $301 million from $269 million, while average sales price per square foot decreased $6 to $202 quarter-over-quarter.

Ryan noted that because of such low supply, there are fewer data points on leasing and sales activity than in the past. He explained that 2019 saw one of Watson's highest annual renewal rates for the company's entire multi-million-square-foot portfolio of industrial space.

"A lot of that is driven by the fact that there really aren't alternatives," Ryan said. "Even if somebody really would like to expand or has a need to relocate to reconfigure their operation, there just aren't a lot of options available."

Outside of a few larger sites, development of new industrial space in the South Bay is mostly a matter of demolishing existing outdated buildings and replacing them with modern facilities, Ryan noted. Because of the lack of large, vacant spaces in the South Bay for national distribution hubs, large-scale development continues to be pushed to the Inland Empire, Ryan said.

As the industrial market enters yet another year of historically low vacancy rates and high rents – not to mention the longest period of economic expansion in U.S. history – John Eddy, executive vice president of Coldwell Banker Commercial BLAIR WESTMAC, said a new trend of tenants signing shorter leases is emerging.

"Tenants are a little weary about getting into very long-term leases," Eddy said. "Their preference is to do a shorter-term lease with an option so that if we do have a large correction in the market, they have an exit strategy."

Despite his optimism for industrial real estate in 2020, Eddy said what happens to the market after this year is anyone's guess. He explained that there is uncertainty due to the presidential election but that the industrial market is overdue for a correction. Already, property owners expectations on sales prices have buyers working diligently to negotiate lower prices, increasing the length of negotiations on industrial property sales.

Office

The vacancy rate for office space in Downtown Long Beach remained unchanged in the fourth quarter over the previous quarter at 19.5%, while suburban vacancy increased from 12% to 14%, according to a Cushman & Wakefield report. Overall average asking rent in the downtown market increased from $2.39 to $2.45 per square foot quarter over quarter and the average suburban asking rent decreased from $2.43 to $2.39 per square foot. Last year ended with negative absorption in both downtown and suburban markets at -26,182 and -266,321, respectively. Notable office leases in Long Beach included two leases at 1500 Hughes Way – 46,915 square feet by Worley Parson and 25,580 square feet by AltaMed – as well as a 25,223-square-foot lease renewal by Star View Behavioral Health, Inc. at 1501 Hughes Way.

"The market has been steady. Even though this report shows negative absorption in this last quarter, it was [predicted] to happen," Cushman Senior Director Robert Garey said. "For example, the California Resources Corporation lease was signed about a year ago but they still had time left [on their existing] lease. That lease now is expired. It's officially vacant now."

Garey said another cause for negative absorption was the port's move downtown, which was expected but hit the suburban

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Owner-user office space is in high demand but availability is low, according to Jeff Coburn, a principal with Lee & Associates. To demonstrate demand strength, he noted that an office condominium at The Terminal at Douglas Park entered escrow after being on the market for only one week. The initial sale fell through, but the property went into escrow the very next day with a new buyer. (Photograph by Brandon Richardson)

Late last month, three new tenants were announced for Long Beach Exchange, including Salon Drew, Handel's Homemade Ice Cream and Morning Nights, an eatery specializing in plant-based dim sum. Morning Nights will occupy the final space available inside The Hangar. Salon Drew is expected to open in mid-February, while the other two businesses will open in the spring. (Photograph by Brandon Richardson)`

(Continued from Page 11)

market hard, adding 176,000 square feet of vacant space. Additionally, Molina Healthcare vacated space at 1500 Hughes Way late last year, another anticipated move. Similarly, Garey noted that Epson America will be vacating 136,000 square feet this summer when it relocates to Los Alamitos – another blow to Long Beach's suburban office market.

Despite the challenges presented by large buildings being vacated, Garey said there is a "decent" amount of activity in the marketplace, particularly around the airport. "It's an amenity rich area and freeway proximity is driving that as well," he said. However, backfilling such large vacancies in suburban Long Beach could take anywhere from 12 to 18 months, resulting in a prolonged impact on the market, he added.

"There are some properties that have just been put on the market," said Jeff Coburn, a principal with Lee & Associates, citing 1501 Hughes Way and 50,000-square-foot building in Bixby Knolls, as an example. "Some more investment sales are starting to come out again, so that's good. We're optimistic 2020 is going to be another good year in the local area – just keep plugging along."

The highest demand within the office market is for small, owner-user buildings, according to Coburn, but available product is hard to come by. To demonstrate the high demand for owner-user space, Coburn explained that one office condominium at The Terminal at Douglas Park was put on the market in late November and went into escrow after about one week. The buyer could not acquire financing, so the space went back on the market for one day before another buyer entered escrow.

Retail

"With the fourth quarter moving into 2020, investment is still strong. Long Beach is still a sought after place to invest," Brian Russell, vice president of Kinnery's, said. "But we do see a lot of traditional retail being squeezed. In Belmont Shore alone . . . there is a lot of retail going vacant. It's shifting."

The retail vacancy rate in Long Beach was 17.9%, according to a January 22 report provided by Kinnery's Brokerage House. Average asking rents decreased from $2.63 per square foot (triple net) to $2.10 per square foot from the third quarter to January.

According to Russell, while certain retail locations in Long Beach are "holding their own" in terms of asking rents, other areas are experiencing downward pressure. The drastic decrease in average asking rent is largely due to the fact that most leasing at two new high-end retail centers – Long Beach Exchange and 2ND & PCH – has been completed, he noted. The two centers have the highest asking rents for retail spaces in Long Beach, with some reaching nearly $5.50 per square foot. With much of the most expensive space off the market, average asking rents are skewing lower as older spaces dominate offerings. As an example, Russell noted an East Long Beach retail location near the Long Beach Towne Center that recently leased for $1.35 per square foot. Additionally, Russell said the decrease in average asking rent constitutes a correction in the market, as property owners aim to attract tenants by lowering rents.

"I know people have been concerned . . . but still: 2019 was, I think, the strongest year ever in retail," William Morris Vice President Catherine Morris said. "The nature of retail is changing. People are using Amazon more and more every day but there are certain retail environments that are still thriving – experience-related retail."

Distilleries and breweries, services such as barbers, salons and nail shops, beauty and fitness – these are the types of retail businesses that thrive in the current market, Morris noted. She explained that in the realm of food, the boom of fast casual dining concepts has begun to dissipate, with diners opting for finer foods and chef-driven cuisine instead – even fast food chains are increasingly trying to incorporate healthier options and rebranding themselves to keep up.

Some ground-floor retail is being converted to creative office space for various types of professionals such as contractors, architects and real estate brokers, Morris said. Another popular use for retail space of late is medical, according to Russell. Dentists, orthodontists and other medical specialists are utilizing small retail spaces for their offices, he said.

While many big-box stores, such as Forever 21, Pier 1 Imports and Gap, are planning to shut thousands of stores this year alone, Morris said other store concepts continue to thrive. "They're being replaced by all kinds of groups. Burlington Coat Factory is actually expanding, Home Goods is thriving, Marshalls is thriving," she said. "JCPenney, Sears and all those groups, they're just aging out – they didn't keep up with the times." ■

Alamitos Bay Turns The Corner Through Investment

Pictured from left to right, brothers John, Henry and Michael Ungaro run the San Pedro Fish Market, a family business that was started by their grandfather in 1956. (Photograph by Brandon Richardson)

■ By **MICHAEL GOUGIS**
Contributing Writer

When Michael Ungaro worked out at the Orangetheory Fitness center in the Marina Shores shopping center, he would look at the Joe's Crab Shack with desire. As chief executive officer of the San Pedro Fish Market, he was expanding his chain, and he just loved the location.

"I kept staring at it and thinking, there's got to be a way," Ungaro said. "I've lived in the area for 15 years, and I was always thinking, it would be a great place for a San Pedro Fish Market, but I couldn't see a path to make that happen."

Ungaro has his wish. San Pedro Fish Market's opening in Alamitos Bay, at the site of the former Joe's Crab Shack, marks the fruition of a long wait and a long period of preparation for the establishment.

But it's more than just a new restaurant in a city of restaurants. The Fish Market on Alamitos Bay is an expansion of the idea that has become a destination in the San Pedro area. The Fish Market there is an institution that attracts people from near and far, visitors who pack the thousands of seats on site and jam the highway exits leading to the market.

And it's the latest sign of a rebirth in Alamitos Bay, an area that has experienced its share of ups and downs over the years, an area that always seems to have lacked an identity and one that failed to really capitalize on its potential.

"We could really see that there was a renaissance happening here," Ungaro said. "The Ballast Point project made such a difference. It really put the area on the map."

The opening of Ballast Point, a popular brewery/restaurant with spectacular views, was one of the key signs of a renewal in the Alamitos Bay area. And other restaurants, like Schooner Or Later, also offer a casual, waterfront-oriented dining experience, the embodiment of the laid-back Southern California beach lifestyle.

It wasn't always this way here. For years, the intersection of Pacific Coast Highway and Second Street was marked by a huge, slowly decaying hotel facility, and the retail establishments in the area struggled to keep up with the rapid changes in the industry.

"The biggest challenges were attracting services and retailers that were attractive today. We were unable to stay on top of consumer trends in that area," said Long Beach Council member Suzie Price, who represents the district.

For Price, the establishment of the new retail center that has replaced the widely-disliked "pink hotel" was

The San Pedro Fish Market's Alamitos Bay menu features items familiar to visitors of the restaurant's original location, like it's "world-famous shrimp trays," as well as a full bar and menu items from the company's fast casual dining concept, San Pedro Fish Market Grille. (Photograph by Brandon Richardson) a major turning point in the revitalization of the area.

"I think the approval of the current 2ND & PCH was definitely a change for the whole area," Price said. "It signified that a new shopping establishment was coming, with new retailers, a new, modern design, and it caused everyone around to step up and kind of start planning for that."

One of the elements of the new center was an orientation toward the water, something that had been lacking in establishments elsewhere along the bay. Indeed, that orientation toward the ocean is critical in establishing the identity and uniqueness of the center. "The beautiful water views are a great amenity there," Price said.

Indeed, according to Jean Paul Wardy, president of CenterCal Properties, that element was one of the foundations upon which the project was based.

"The project really respects the beauty of the environment around it, in terms of opening up to the ocean, creating views, and really honoring our customer from the standpoint of common areas, amenities, opportunities for views, and taking in the quality of the existing surroundings," Wardy said.

"We made sure to listen to what the community wanted. We really tried to cater to the way people live today. By grouping the best grocery store with the best boutique fitness, [and a] great assortment of restaurants, beauty, and apparel, we focused on creating an experience for our customers that would enable them to do a lot of different things as part of their weekly routine."

The area has certain other advantages that help position it for long-term success. As urban cores develop greater density, the availability of parking at Alamitos Bay makes it more attractive as a destination for those who plan to come from a distance and spend the day there.

And for the local residents, Price said, "there aren't a lot of places to shop and visit restaurants other than Second Street in Belmont Shore. To have that [at 2ND & PCH] . . . is a benefit. There's a lot of excitement about what is happening there."

For Ungaro, the new Fish Market ticks a lot of boxes on his personal satisfaction list. For a long time, he had dared only to hope to establish one of the smaller San Pedro Fish Market Grille operations in Alamitos Bay. Instead, with the help of real estate development advisor Scott Choppin, founder of the Urban Pacific Group, Ungaro has more than 10,000 square feet and seating for 400.

It closes a loop that started years ago: when Ungaro attended California State University, Long Beach, he worked at Joe's Crab Shack. Now the location is his. And for years, he has admired the view of the sunset over Alamitos Bay. Now, as he said, "I've got my sunset view." ■

The outside patio on the second floor of the San Pedro Fish Market's Long Beach location overlooks the Alamitos Bay Marina, facing its original location across the San Pedro Bay. (Photograph by Brandon Richardson)

In their redesign of the former Joe's Crab Shack location, the San Pedro Fish Market team combined the buildings original look with new elements, by incorporating metal shipping containers with existing wooden structures. (Photograph by Brandon Richardson)

Building A Better Long Beach: Local Firm

Long Beach's first prefabricated accessory dwelling unit was delivered and installed on a property near California State University, Long Beach, late last month by Long Beach-based developer InstaHome. (Photograph by Brandon Richardson)

■ By **BRANDON RICHARDSON**
Senior Writer

Residents ventured out of their homes along Palo Verde Avenue and drivers pulled over to the side of the road to watch as a home, piece by piece, was lifted into the air by a massive crane and maneuvered into a single-family backyard near California State University, Long Beach, on a sunny January afternoon.

To combat the statewide housing crisis, government officials in Sacramento and Long Beach have passed legislation to encourage residential development of all types, including accessory dwelling units (ADU) – small, secondary homes adjacent to a single-family houses or multi-family buildings on the same property. Traditionally, these homes have been conversions of already-existing spaces, such as garages, or new buildings constructed onsite; but on January 23, the first prefabricated ADU in Long Beach was installed by local developer InstaHome (Instahome2020.com).

"All the good land is being used – it was developed 70 years ago. Everybody has these gigantic backyards with cabanas and swimming pools.," InstaHome Managing Member Mark Malan said. "The governor realized that if you stick a second home back there, it would [be] part of the solution to the housing crisis."

Prefabricated ADUs are built to statewide standards set by the California Department of Housing and Community Development, which are meant to streamline the permitting process of construction at the local level. Once a prefab ADU design is approved by the state it may be replicated on any qualifying property.

Local governments may pass additional ADU easements to further encourage installation, but cannot pass laws that are more restrictive than the state's. In Long Beach, ADUs are allowed on any property within residential, mixed-use and planned development zoning districts, as well as areas with specific plans allowing residential uses, and may range in size from 150 to 800 square feet. One ADU may be installed on a single-family property, while multifamily property owners may add up to 25% of the number of existing legal units. ADUs do not have to meet any parking requirements.

The unit installed by InstaHome last month is 600 square feet with one bedroom, one bathroom, washer and dryer hookups, upgraded countertops and finishes, and a private patio area. The ADU was also painted by the manufacturer to match the renovated single-family home.

"They're great . . . to move your elderly parents into so you can keep an eye on them. Others do it for their [child] coming home from university who can't afford to live in the neighborhood. Or there could be a change in marital status and your child is coming home with your grandchild," Malan said. "However, the majority, I truly believe, are done because of the income – there is money to be made in having less yard work and replacing all those chores with a monthly renter."

Prefabricated mini-homes are built offsite and transported by truck to the property in sections, Malan explained. This process allows for construction to occur simultaneously with permitting and site prep, which expedites the process, meaning more homes could come online in less time.

Malan and Juan Huizar, his business partner of 20 years, explained that they plan to continue purchasing single-family homes in Long Beach and surrounding areas that are in disrepair, fixing them up and adding an

Installs City's First Prefabricated ADU

InstaHome specializes in the installation of prefabricated accessory dwelling units. Business partners Juan Huizar, left, and Mark Malan said they already have plans to install another ADU on a property on 4th Street. (Photograph by Brandon Richardson)

ADU to the property. Some properties will be sold, he explained, while others will be retained as rentals with two separate units providing income.

While the company has only completed the process on one of its properties, it has plans for a second installation at a site on 4th Street in Long Beach. Malan said that the company's plans only consist of installing ADUs on its own properties but that he is not opposed to working with other property owners.

"Long Beach is making a good effort in coming up to speed in allowing these ADUs. Anyone who owns a house with a big backyard could certainly benefit from having one of these." We figured that the cost of adding a factory-built home is about $150,000," Malan said. "If you rent it for $1,500 a month, then it would take you a hundred months – eight and a half years – to break even on it. So it's not a get rich quick, but you're providing housing. That's the important part." ■

Long Beach Companies Invest And Innovate To Design Modern, Collaborative Workspaces

Open workspaces, like Studio One Eleven's Downtown Long Beach office pictured here, have become a big trend in recent years. But studies showing that open spaces can lead to reduced productivity have prompted companies to take creative measures to minimize distractions. (Photograph courtesy of Studio One Eleven)

By **ALENA MASCHKE**
Senior Writer

The modern workplace is in constant flux. Many companies are leveraging technological advances and research on efficient workplace design in the interest of increased productivity and employee satisfaction, changing the physical spaces that sit behind the shiny glass facades and industrial brick walls of downtowns nationwide. Trends toward denser offices, open floor plans and more collaborative environments are taking hold in business districts across the country, including Downtown Long Beach.

Long Beach-based accounting firm Windes is currently in the process of remodeling its Irvine office space to accommodate current workplace trends, with a similar redesign of its Downtown Long Beach office soon to follow. The new setup will feature workstations and offices that are interspersed throughout the floor, rather than separated by hierarchy in the company's organizational structure. "We wanted to get a better mix of all employees on the floor," Managing Partner John DiCarlo explained.

Instead of private offices restricting the influx of sunlight from the perimeter, as they previously did, some have been moved toward the middle of the floor to allow for meeting spaces along the outside-facing glass front. The remaining private offices on the outer edge of the workspace will be separated from the corridors and common spaces by glass, allowing more light to filter into the core. "We're hoping that people will have an airier, lighter work environment," DiCarlo said.

A 2018 poll by human resources advisory firm Future Workplace showed that the 1,614 North American employees who participated weren't looking for pool tables, kombucha on draft or treadmill desks to spruce up their offices. They were vying for something much simpler: natural light. "You get a little tired of being under a fluorescent light all the time," DiCarlo said, echoing the tenor of the poll's findings. "Having an airier, more naturally lit space seemed like a better alternative than we currently have."

The company's new design also responds to another trend in office design: breaking down barriers between different workstations and allowing space for collaboration. In doing so, the designers were faced with a common challenge: how to enable collaboration without enhancing distractions.

Open office plans have been shown to reduce productivity in some circumstances, DiCarlo pointed out, which is why Windes' new floorplan still features partitions between different workspaces. But instead of five-foot tall cubicle walls, workspaces will now be separated by lower partitions with glass panels at the top. "You'll have sound protection, but you'll [also] have more light, more ambiance around you," he explained. "This is taking what, we hope, is the best of both worlds."

Where new office designs aim to respond to employee's needs and desires, they are aided by technology. Windes' new office layout features smaller training rooms and significantly fewer filing cabinets, as more workers use laptops and other mobile devices to participate in work training remotely and files become digitized, opening up more space for freestanding workspaces. The trend toward working remotely and the decreased demand for storage space has also driven another trend: offices are becoming denser.

Jerome Chang, founder and architect of SoCal-based coworking company BLANKSPACES, said some of the country's largest companies have cut their square foot-per-employee ratio in half in recent years. "They're allocating about half, 150 to 160 square feet per employee, because they know not everybody is going to be there at the same time. People share desks, they rotate around, they jump in, they jump out," Chang explained.

Some shared offices, like those operated by BLANKSPACES, go even further in their pursuit of density, by allocating approximately 70 square feet per seat. "Most people, when they see that, say: how can that be? Your packing away people like sardines, that can't be good," Chang noted. "But because of the way people use spaces, how often they come, what time they come, it's very plausible." Chang's company has been contracted to operate the city-owned Shaun Lumachi Center, which is scheduled to open next month.

Just one block over, on the revitalized Promenade, architecture and design firm Retail Design Collaborative and partner company Studio One Eleven have created a work environment that aims to not only implement trends in workplace design, but set them. Three years ago, the group took over a massive space left behind by retailer Nordstrom Rack and turned it into a mixed-use complex that combines community spaces, dining and the open floor office that houses both company's operations.

As a company focused on architecture, landscaping and urban design, Studio One Eleven's workspace design reflects a conscious effort to create something of benefit to those working inside the building as well as the local community overall, Senior Principal Michael Bohn explained. "What we wanted to avoid was having desks along the sidewalk," he noted. Instead, the building's pedestrian-facing side is occupied by the Portuguese Bend restaurant and distillery, Studio One Eleven's Spit 'n' Argue community space, named after the historic debate space near Rainbow Pier, health food store Natural Cultures, and AMMATOLI mediterranean bites.

"It creates a more dynamic, varied and engaging environment," Bohn said about the mix of retail and office space. Being located within the retail-reach downtown area also helps promote the company's greater values, he noted, allowing employees to walk to lunch and bike to meetings at city hall. "It just helps promote that whole idea of living a healthier lifestyle," Bohn said.

Beyond the row of retail businesses, at the core of the former Nordstrom Rack, lies an office that exemplifies many of the trends associated with the modern workspace: an open office plan, employees on all levels of the company's hierarchy seated together under high ceilings, hardly any partitions. But what about the distractions, the noise? Studio One Eleven is using an innovative technique called sound masking to mitigate the negative effects of an open office plan. Every 15 feet, speakers emit the sound of an air vent, in an effort to drown out unwanted noise and echoes. "It's been really, really successful," Bohn said.

The company's modern office concept has drawn new investment into the area and has made it more attractive to prospective employees, Bohn noted. "It's been a great recruiting tool," he said. "It does show that open offices, like ours, or collaborative work environments are definitely a trend that hasn't slowed down." ■

Employers And Legislators Strive To Support Working Parents, But Challenges Remain

Teacher Brooke and student Allie are pictured inside a playroom at the California State University, Long Beach, Child and Family Center. "We're a very play-based center," Director Stefanie Pedigo told the Business Journal. (Photograph by Brandon Richardson)

By **ALENA MASCHKE**
Senior Writer

For employment attorney Kimberly Lind, the kinds of challenges her clients with children face in juggling the responsibilities of parenthood and employment are not just abstract legal issues. Last year, Lind faced one such challenge herself.

Just weeks after giving birth to her third child, Lind found herself kicked out of a courtroom, with her month-old baby strapped to her chest, because the newborn had begun to cry as she waited for her docket to be heard. When she returned to the courtroom and requested a continuance of trial, postponing a future hearing to accommodate her maternity leave, the judge denied her request. As Lind recalls it, the male judge argued that she should have known her pregnancy and childbirth would interfere with the proceedings and requested a delay earlier in the process.

In a letter to fellow attorneys, Lind expressed her frustration. "Babies will be born when they are born," she wrote. "They do not observe calendars". Further, she added, "getting my postpartum self to court one month out after the delivery I had was a gosh darn miracle."

Across different industries, parents, especially new mothers, struggle to balance the responsibilities and scheduling demands of full-time employment and childcare. What can employers and legislators do to help accommodate parents' needs in the workplace, and what has been done so far?

State Senator Scott Wiener's successful push for a law requiring private lactation spaces in the workplace is a recent example of legislation aimed specifically at accommodating the return of new mothers into the workplace. Passed in May 2019, Senate Bill 142 requires employers to provide new mothers with a private space, that is not a bathroom, to express breast milk. "New mothers should not have to choose between returning to work to put food on the table, and breastfeeding their child," Wiener explained. "They should be able to do both."

In addition to state laws mandating accommodations or paid leave for new mothers, there has also been a push to prevent discrimination against caretakers in cities across the country, according to Cynthia Calvert, senior advisor on family responsibilities discrimination at the University of California Hastings College of the Law's Center for WorkLife Law. There is currently no federal or state law protecting employees in California from discrimination based on familial status, Calvert noted, but some municipalities have attempted to address the issue through local ordinances.

"What a lot of parents are interested in is not getting fired [just] because they have trouble one day with their childcare," Calvert, who oversees the center's employee hotline, remarked. "And that happens. It happens a lot."

In 2009, the Center for WorkLife Law compiled a list of cities nationwide that had enacted local ordinances prohibiting discrimination on the basis of familial status or caretaking responsibilities. At the time, 53 municipalities had enacted such ordinances. A new report, which is currently in the editing phase according to Calvert, counts 185 such ordinances across the country today. "As people realize how much tension there is, how much struggle there is between work and family, obviously they're looking for a solution," she explained.

Access to childcare remains one of the biggest challenges for employees, Wiener noted. "If you're not able to get your child into a childcare situation, you may not be able to work outside of the home, and that can set families back economically," he said. "So we need to really expand access to early childhood education."

As a growing number of women enter the workforce, the issue has caught the attention of employers as well, and for good reason, Calvert explained. "It's better for the employer, for a number of reasons, to really support both men and women who want to be parents and who also want to be fully committed to their jobs," she said. "The two things should not be mutually exclusive; they really don't have to be."

Some of Long Beach's largest employers offer programs that assist working parents in finding and paying for childcare. Dependent care flexible spending accounts, which allow employees to set aside pre-tax dollars for qualifying expenses, such as preschool, summer day camp or after school programs, are one of the most common options offered by the city's largest employers like the City of Long Beach, the United States Postal Service and Verizon. Verizon also offers employees 80 hours of company-subsidized back-up care per year, should a child's main caretaker become unavailable, and the company participates in a network of childcare centers offering discounted rates to employees.

Lind said as an employment attorney and a new mother, she would love to offer childcare benefits to her employees, but the overhead costs present a barrier for small businesses like her legal practice. Tax benefits for companies offering subsidies for off-site childcare to employees could make such assistance programs a more viable option for smaller employers like herself, she argued. "I think more could be done by smaller employers if the tax code allowed for more variations to be provided as a tax benefit," Lind said. Currently, Lind noted, only onsite childcare services qualify for tax benefits.

While on-site childcare services are not a viable option for many employers because of the overhead costs involved, two of Long Beach's largest employers are able to offer such services to employees. Both Long Beach City College and California State University, Long Beach, (CSULB) offer on-campus childcare centers to employees and students.

The Child and Family Center on the CSULB campus has been in existence for over 30 years, according to its director, Stefanie Pedigo. The center has five full time staffers, including Pedigo, and 22 student assistants. On average, the center offers one full-time teacher per 8 students, a smaller ratio than most licensed childcare centers, Pedigo noted. University campuses are in a special position when it comes to providing childcare to employees, because they can tap into a pool of students and graduates to facilitate their programs. "In the education realm, people know that there's a need for it and they can serve that need," she explained.

While on-site childcare might not be a feasible option for most employers, the benefits of assisting parents in balancing their responsibilities at work and at home are significant, Calvert argued. "It reduces the employee's stress and increases their productivity, it also increases their morale," she said. "The employees just feel supported, they feel seen."

As for Lind, she is planning to lobby for changes to the rules of court, that would make it easier for new mothers in her line of work to juggle their responsibilities as mothers and legal professionals. "This is a generation of the human race [being born] here. This is an important thing for us as people," she said. "Everybody was born, everybody needed to be taken care of and it needs to be acknowledged." ■

(Continued from Page 1)

During a press conference at the show, it was noted that apartment building values have returned to pre-recession levels, and in 2019, multi-family starts were 116% of the national average for all types of housing. Urban areas are getting most of the attention by builders, who are seeing an emerging trend: younger people are becoming more interested in apartment units. Retirees are also looking in this direction as a more affordable, low maintenance option when units are in walkable neighborhoods that offer services, social activities and entertainment.

"Apartment developers and designers are incorporating features into their communities like coffee bars, rooftop cafes and bars, bowling, indoor basketball and more," Sanford Steinberg, founding Principal of the Steinberg Dicky Collaborative in Houston and Austin, Texas, said. "The goal is to attract and retain the renters and 'renters-by-choice' who prefer a stimulating lifestyle in a great apartment community that offers all the amenities they are accustomed to in the home they lived in or strive to obtain."

According to the numbers released, millennial home-buyers have pushed the home ownership rate back up to almost 65%, but rising home prices prevent many in this group from buying, and they remain in the rental market for a number of reasons.

"Research shows that 22% of young adults – ages 25 to 34 – still live with their parents, a trend that will continue to create a drag on household formation from 2020-2025," according to NAHB economist Danushka Nanayakkara-Skillington, assistant vice president for forecasting and analysis. "That group's challenges in looking for an apartment can be attributed to student debt, rising rents or even competition with seniors who opt to downsize to a smaller home or apartment."

Developers have taken notice and the prediction for this year is a 1% increase in rental housing starts and a 4% improvement in 2021. On the lending side, multi-family loan originations are set to hit an all-time high in 2020, according to the Mortgage Bankers Association. Permits, starts and completions for apartments were at or near this cycles' highest levels in 2019.

CBRE Group, Inc., has researched the top multi-family markets for 2020 with Austin, Atlanta, Phoenix and Boston leading the way. The top three are very high-growth metro areas as measured by population, number of households, employment and multi-family demand. The research shows that suburban multi-family will outperform urban areas with higher rents and lower vacancy rates.

Also, according to CBRE, several smaller metro areas (less than two million population) are expected to be top performers in 2020 because of favorable fundamentals such as population growth and a lack of previous development. The upgrading of these areas makes them ripe for new development. Among the cities that finished last year with at least 4% growth in rents were Albuquerque, Birmingham, Colorado Springs, Greensboro, Memphis, Tucson and Dayton, Ohio.

Probably the largest unknown – and a possible damper in several areas – was the emergence of rent control last year. Oregon passed a 7% annual cap on rents early in 2019, and New York and California followed with their own new regulations that instituted 7.5 and 5% caps, respectively, on allowed annual rent increases. Both Illinois and Washington are said to be contemplating similar moves.

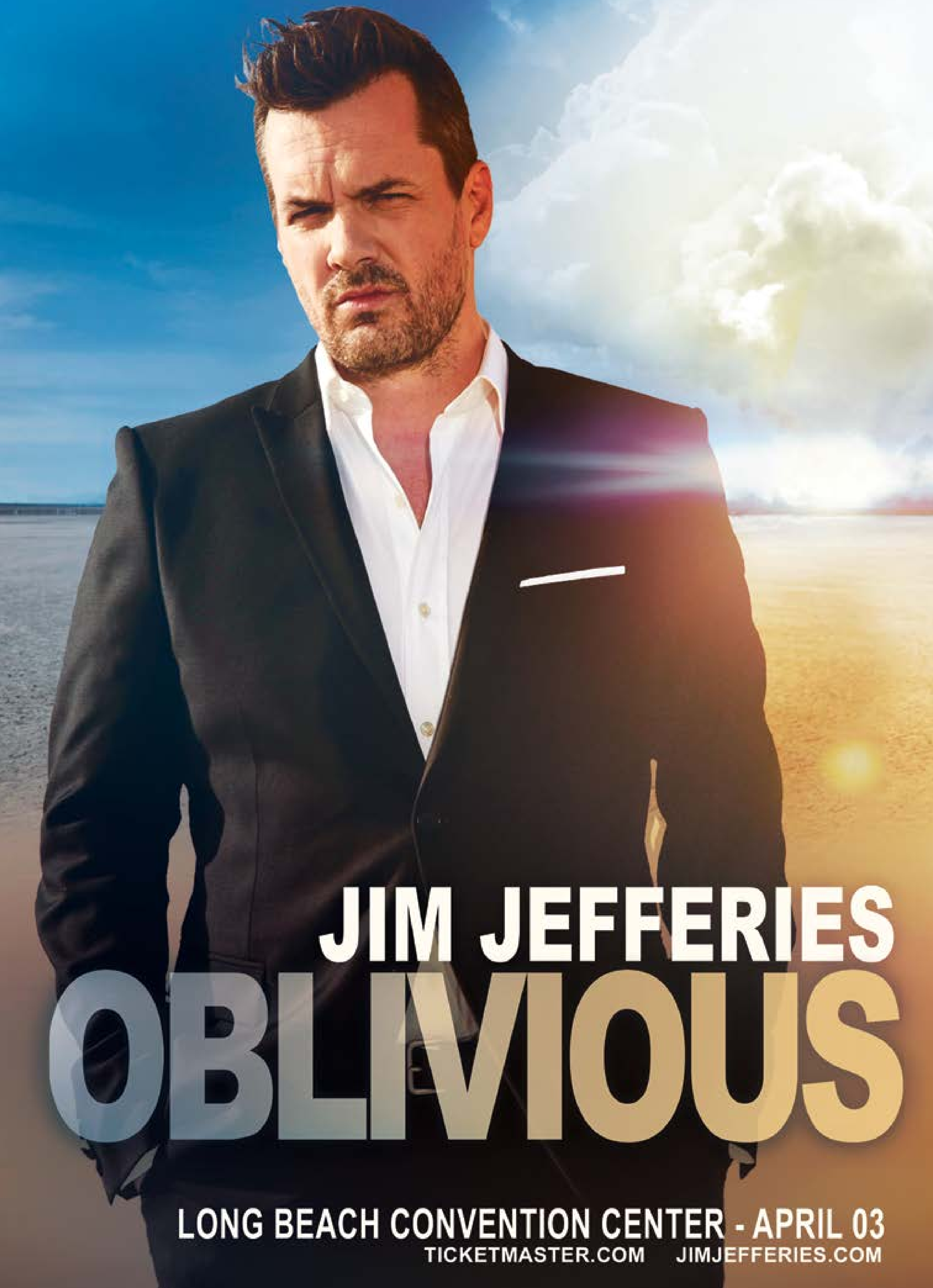
The effects of rent control on new building have been mixed thus far. New York has seen a 9.2% drop in multi-family investment, according to numbers compiled by CBRE for the first part of 2019, while Los Angeles saw a 9.8% slide. Interestingly, San Francisco, which has the same statewide rent control ordinance, saw a 7.4% increase in multi-family investment and the city of Portland rose by 23.5%.

Despite the variance in these numbers, most housing economists contend that building more housing – not rent control – is the answer for keeping rents affordable, because developers need to make a return on their investment to continue building.

"Rent control would freeze investment nationwide and eliminate property owners' ability to recoup costs and reinvest in maintenance and upgrades," said Jim Lapides, vice president of strategic communication at the National Multi-family Housing Council, who noted that in its recent survey 34% of investors have already reduced their investments in apartments and nearly half are considering doing so in the near future. "Such policies would further stretch the imbalance between supply and demand and cause the housing we already have to fall into disrepair."

While every market is different and has its own challenges, it appears that, broadly speaking, multi-family apartment production and operations are on the upward swing in the current economic cycle.

Terry Ross, the broker-owner of TR Properties, will answer any questions about today's real estate market. E-mail questions to Realty Views at terryross1@cs.com or call (949) 457-4922. ■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